

Capital Investment Program Utilizing the

IBM
1620

The Capital Investment Program—A New Management Science Tool Utilizing the IBM 1620

The Capital Investment Program, an important new tool for the scientific management of a business operation, is now available as a package from IBM. With the program, an IBM 1620 Data Processing System can be used to determine automatically—in a matter of minutes—the profitability of a proposed capital investment.

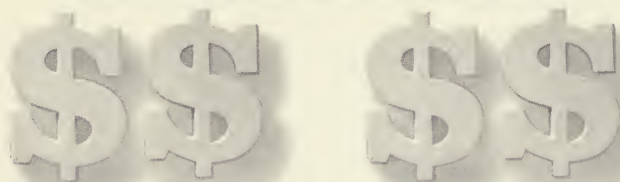
Program Flexibility

The program permits a great variety of operations research-capital investment models to be represented by the computer, including:

- Equipment replacement
- Facilities expansion
- Acquisitions and mergers
- Lease vs. purchase
- Produce or buy
- Research expenditures

Three Steps to Sound Investment

1. The 1620 is provided with operating instructions in the form of the Capital Investment Program.



2. Data describing the proposed capital expenditure is entered into the system.



REPORT

Rate of Return on Investments

3. This information is evaluated by the computer which automatically creates a report showing the rate of return to be expected from the investment.

Program Follows Accepted Procedures

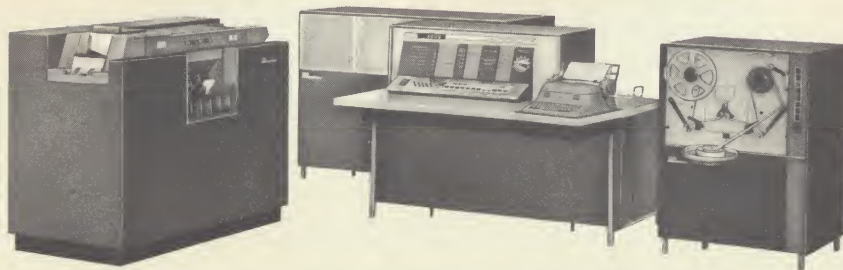
The program follows the discounted-cash-flow procedure of using present value compound interest formulas. It takes into consideration such factors as the anticipated earnings of the project, amount of investment required, method and terms of financing, effects of depreciation and interest payments on income tax, salvage or trade-in values, and project service life. At the option of the user, the program can even establish its own values for project earnings, salvage values, depreciation, and retirement probability based upon anticipated obsolescence.

Management Reports Created Automatically

Taking all of these factors into account, the 1620 automatically creates typewritten reports displaying for management's decision-making the profit picture of the proposed investment. These reports reflect rates of return and cash flows under a number of varying conditions for the life of the project.

The IBM 1620 Data Processing System

- 20-, 40-, or 60,000 digits of magnetic core storage for instructions and data
- Punched card, paper tape, and typewriter input and output
- Automatic printing of reports including alphabetic information
- Decimal notation throughout eliminating programmed conversion
- Self-checking automatic operation
- High speed internal computing performance
- High component reliability



Advantages

The Capital Investment Program scientifically screens investment proposals in order to utilize investment dollars most effectively. It enables management to establish an easily-administered company-wide investment procedure that is comprehensive, standardized, and capable of handling proposals in volume.

Applications

The Capital Investment Program for the IBM 1620 can be used by manufacturers contemplating purchase of new machine tools, motor truck firms planning to acquire new equipment, business offices considering new office machinery—in fact, by *anyone* who seeks assurance that he is using his investment dollars soundly and wisely.

For further information about the Capital Investment Program, contact the IBM office in your community, or



International Business Machines Corporation
Data Processing Division
112 East Post Road, White Plains, N. Y.